2005

Municipal Pension Plan

ANNUAL REPORT

DOC
BC
S8M8
B
2005
c.3

Municipal
Pension Plan

LEGISLATIVE LIBRARY OF BRITISH COLUMBIA
3 3298 00314 0812

Municipal Pension Plan

2005

Annual Report

January 1, 2005 to December 31, 2005

Municipal
Pension Plan

Library and Archives Canada Cataloguing in Publication Data

Municipal Pension Plan (B.C.)
Annual report. — 1966–

Annual.
Running title: Municipal Pension Plan annual report.
Continues: Municipal Pension Plan annual report. ISSN 1201-4184.
ISSN 1496-4759 = Annual report — Municipal Pension Plan.
(NSDP)

1. Local officials and employees' Pensions — British Columbia — Periodicals. 2. Municipal Pension Plan (B.C.) — Periodicals. I. British Columbia. Municipal Pension Board. II. Title. III. Title: Municipal Pension Plan annual report.

JS1721.B7M86 — 331.25'20'09211409713 — C2001-960088-9

2007-01495/

TABLE OF CONTENTS

Working to Serve You Better 1

Partners, Trustees and Agents 4

Audit Committee 5

Member Services and Communications 6

Plan Membership 8

Contributions 12

Plan Benefits 14

- Pensions 14
- Termination and Refund Benefits 18
- Transferring Service 19
- Purchase of Additional Service 20

Investments 21

- Market Review 21
- Approved Investment Asset Mix 23
- Investment Portfolio 24
- Investment Performance 29

Financial Health 30

Five-year Financial Summary 32

Financial Statements 35

WORKING TO SERVE YOU BETTER

THE MUNICIPAL PENSION BOARD OF TRUSTEES IS PLEASED TO present the annual report for the fiscal year ending December 31, 2005.

This is the official report on the state of your pension plan. The 2005 Municipal Pension Plan Annual Report gives us an opportunity to tell you about the improvements and changes that took place over the past year, and to report on the financial results of the plan.

Changing technologies allow us to find more ways to make the workings of the Board of Trustees more open and accessible to everyone. New additions to the MPP website include:

- New Board Governance information links on recent developments highlighted in "Coming Up".
- Trustees' responses to plan members' questions contained in "What Members Are Asking".

Although our strategic focus continues to be the long-term financial health of the plan, we also strive for improvements in the high standards of service delivery to plan members and employers.

Timely, effective and high-quality service to plan members has always been at the forefront of our goals. Continuing the high standards of service delivery to both plan members and employers has been an ongoing emphasis for the plan during the last three years.

Each year, the Municipal Pension Plan surveys members and employers to determine their level of satisfaction with service elements of the plan. This year, as in past years, we exceeded our targets to set some of the highest satisfaction levels the plan has measured.

Active plan members, recently retired, other retirees and plan employers all expressed high levels of satisfaction with the plan's overall quality of service. Over 80 per cent of respondents in all groups are "satisfied or very satisfied" with plan service. Recently retired members and plan employers expressed the highest levels of satisfaction.

Growth in plan membership in recent years has placed greater emphasis on the timeliness with which services are received. In all these areas the Municipal Pension Plan is close to meeting, or exceeding, the targeted level.

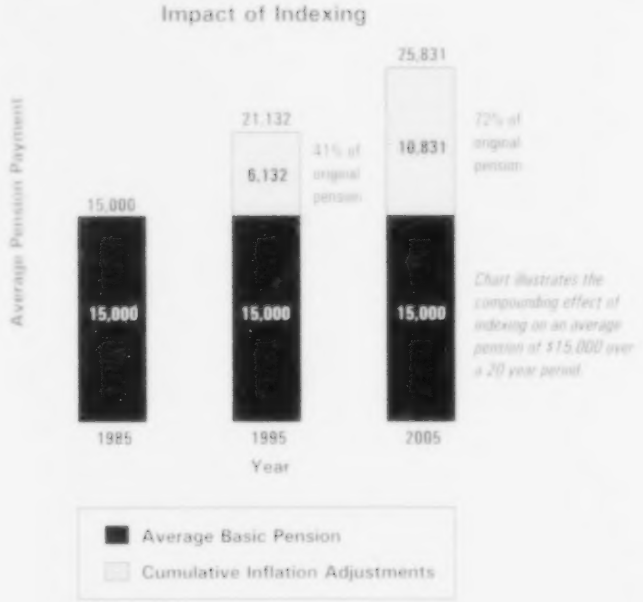
WORKING TO SERVE YOU BETTER

Pension payments, letters and other correspondence are consistently on time. The plan exceeds the targeted goals in getting first pension payments out in time and providing purchase of service estimates to members within 30 days of receiving their request.

These accomplishments are all the more noteworthy given the jump in purchase of service requests from plan members wanting to enhance their pensions. In 2005, there were 10,309 requests for purchase of service compared with 5,697 requests in 2004.

All of this has been accomplished with an eye to cost-effectiveness and economy. Costs have been reduced and productivity has been increased to bring the administration of the plan to $99 per member, well below the $112 per member target.

We continue to work on your behalf, and we want to hear from you. Please contact us at the address on the back of this report if you have any comments.



MUNICIPAL PENSION BOARD OF TRUSTEES

December 31, 2005

TRUSTEES	ALTERNATES	
Sharon Saunders, Chair	Andrea Wiebe	British Columbia Nurses' Union
Kenneth Bayne, Vice Chair	Keith Ewart	Excluded Employees
Dennis Blatchford	Vacant	Health Sciences Association of British Columbia
Brendan Dick	Kelly Knox	Hospital Employees' Union
Harold Heyming	Todd Sweet	British Columbia Professional Fire Fighters' Association and British Columbia Federation of Police Officers
Vacant	Richard Taylor	Union of British Columbia Municipalities
Gary Johnson	Dorisa Bernardo	Municipal Employers Pension Committee
John Johnston	Patrick Doyle	Health Employers Association of British Columbia
Frank Leonard	Malcolm Brodie	Union of British Columbia Municipalities
Bruce Kennedy	Vacant	Provincial Government
Brian Northam	Brian McConville	Council of Joint Organizations and Unions
Steven Polak	Fran Macdonnell	Municipal Employees Pension Committee (retired plan member)
Joe Stram	Terry Killough	British Columbia Public School Employers' Association
Lyn Vandermey	Louise Simard	Health Employers Association of British Columbia
Maria Wahl	Barry O'Neill	Canadian Union of Public Employees, British Columbia Division
Louise Mercer	John Davison	Provincial Government

WORKING TO SERVE YOU BETTER

PARTNERS, TRUSTEES AND AGENTS

THE MUNICIPAL PENSION PLAN IS GOVERNED BY REPRESENTATIVES of both plan members and plan employers. These representatives make up the Board of Trustees. The trustees are appointed by the **plan partners** (the provincial government, the Union of British Columbia Municipalities, the Municipal Employees' Pension Committee) and other stakeholders. This shared management is called joint trusteeship. More information on joint trusteeship is on the plan website at **mpp.pensionsbc.ca**.

The **Municipal Pension Board of Trustees** is responsible for the management of the pension plan, including asset investment and plan administration. The board looks after the best interests of the plan to ensure the funds are sufficient to pay pensions into the future. They decide on investment policies and make amendments to the pension plan rules. A plan rule change that results in a contribution rate change must be approved by the plan partners. If the actuary determines that it's necessary to increase contribution rates, the trustees must increase employer and member contribution rates equally.

The **British Columbia Pension Corporation** provides benefit administration services as an agent of the Board of Trustees. The corporation enrols members, collects contributions, processes benefits and issues pension payments.

The **British Columbia Investment Management Corporation** (bcIMC) provides investment management services as an agent of the Board of Trustees. The bcIMC is one of the largest institutional investors in the country, offering a wide range of fund management services.

AUDIT COMMITTEE

THE MANDATE OF THE AUDIT COMMITTEE IS TO ACT ON BEHALF of, and to assist the board to provide for:

- a timely and cost-effective system of accounting and reporting,
- financial statements conforming with generally accepted accounting principles,
- an independent audit of the financial statements, and
- an annual report with audited financial statements.

The committee will accomplish its mandate to provide financial oversight by:

- monitoring and reporting to the boards on the integrity of reporting, internal controls, and compliance,
- monitoring and reporting on the independence and performance of the auditors,
- monitoring and reporting on risk management as it affects financial reporting,
- recommending the selection and compensation of external auditors, and
- addressing any matter referred to the committee by one or more of the four boards.

Membership on the committee includes two nominees from each of the boards of the College, Municipal, Public Service, and Teachers' pension plans. All nominees must be ratified by all the boards. The committee must include at least two trustees who understand generally accepted accounting principles (GAAP), internal controls, and audit committee functions. The committee must meet at least three times a year. In addition to its role of financial oversight through monitoring and reporting, the committee also evaluates its own performance annually through an established procedure.

MEMBER SERVICES & COMMUNICATIONS

THE MUNICIPAL PENSION PLAN HAS A STRONG TEAM OF PROFESSIONALS devoted to providing quality, cost-effective services to plan members. Staff made impressive gains in service improvements in 2005 that are reflected in the satisfaction rating that plan members gave the Municipal Pension Plan.

The Municipal Pension Plan hosts retirement seminars for plan members. During 2005, 4,423 plan members and guests attended retirement seminars. The seminars explain the basics of the pension plan and cover the retirement process from application to receiving pension payments. Past attendees have reported that the retirement seminars are very helpful in planning for retirement. Members who want to learn more about the retirement process can download the presentation from our website at **mpp.pensionsbc.ca**.

We regularly conduct surveys of plan members to evaluate the quality of our services and to identify areas for improvement. The surveys show that both active and retired members give staff a high satisfaction rating for service quality. In addition, a survey of plan employers and active and retired plan members showed over 80% of the respondents were satisfied or very satisfied with the services of the plan.

Communicating with plan members is a priority of the Municipal Pension Board of Trustees. Guidelines have been developed to ensure that plan information is easy to understand and easy to use. By practicing plain language principles and focus testing many of our products, we continue to improve the effectiveness of our communications products.

New communications materials are regularly published, and online products and services are continually being improved. We produce the annual *Member's Benefit Statement*, which provides active plan members with updated information about their plan benefits, service, and contributions. We also produce forms, bulletins, Pensionfacts—a series of fact sheets—and a newsletter for retired members. A yearly *Report to Members* was launched in 2005, replacing the old summary. Our website offers excellent pension plan information and online estimators at **mpp.pensionsbc.ca**.

MEMBER SERVICES AND COMMUNICATIONS

The Municipal Pension Plan annual general meeting (AGM) provides members with an opportunity to speak directly to the trustees, and to hear the latest information on pension issues. The fourth AGM was held in Vancouver on October 15, 2005. The meeting was webcast to communities across Canada and members could log on to the proceedings from home. Participants responded favourably to the webcast because it allowed them to watch and ask questions from the comfort of their own home. All members and employers are invited to attend the next AGM. The meeting will be held Saturday, October 14, 2006, at Michael J. Fox Theatre, Burnaby, from 9:30 a.m. to 1:00 p.m. To participate in the webcast, log on to the Municipal Pension Plan website at **mpp.pensionsbc.ca** and follow the instructions.

PLAN MEMBERSHIP

THE MUNICIPAL PENSION PLAN IS COMPOSED OF 204,823 MEMBERS from 594 employers. Membership is open to all eligible employees of a municipality, school district, regional college, the health sector, police and fire fighters, and many other eligible employers. Once an employee elects or qualifies to contribute to the plan, contributions continue until the member terminates employment, retires, or accrues 35 years of pensionable service.

There are three types of members in the Municipal Pension Plan:

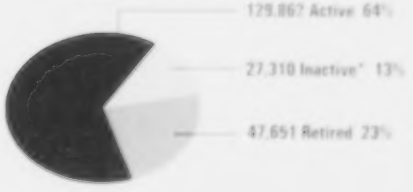
Active—those members who are currently contributing, are on a leave of absence, or are receiving benefits from an approved long-term disability plan. There are 129,862 active plan members.

Inactive—those members who have terminated their employment, but have left contributions deposited in the plan. They may or may not be eligible for a pension in the future. Those who are eligible are known as vested and deferred members. If an inactive member is not entitled to a Municipal Pension Plan benefit, they may be eligible for a pension as a result of combining their entitlement in other pension plans covered by a transfer agreement. There are 27,310 inactive plan members.

Retired—those who are receiving a pension, including a disability pension. There are now 47,651 retired plan members.

Active membership decreased by 181 or 0.14% from 2004. This year the number of retired plan members grew by 2,736 or 6.1% from 2004. The total number of retired members is expected to continue to grow in the next decade as more and more baby boomers reach retirement age.

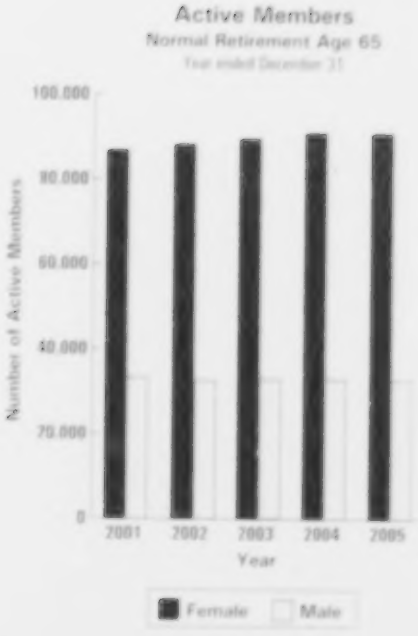
Membership Profile
As at December 31, 2005

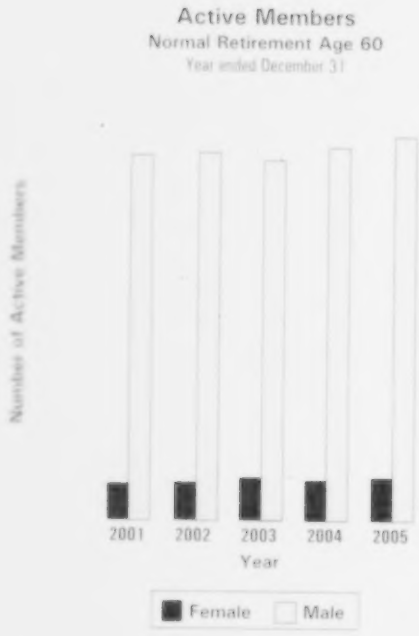


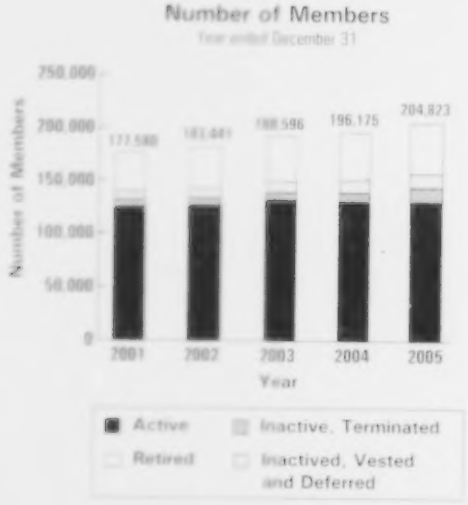
PLAN MEMBERSHIP

Number of Members
As at December 31

	Active	Inactive	Retired	Total
2005	129,862	27,310	47,651	204,823
2004	130,043	21,217	44,915	196,175
2003	128,267	18,648	41,681	188,596
2002	126,662	17,847	38,932	183,441
2001	124,855	16,447	36,278	177,580







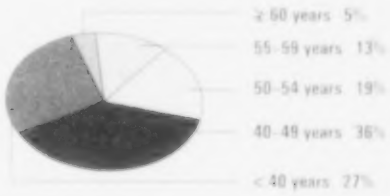
PLAN MEMBERSHIP

Active Member Profile

As at December 31, 2005

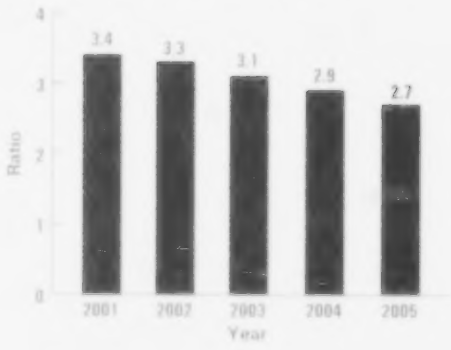
Age Profile of Active Members

As at December 31, 2005

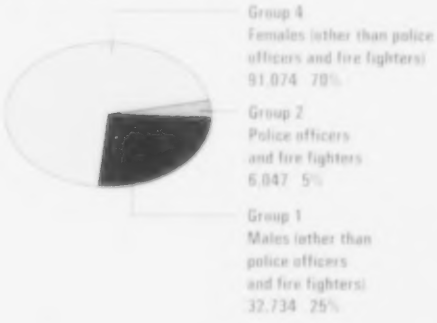


Ratio of Active Members to Retired Members

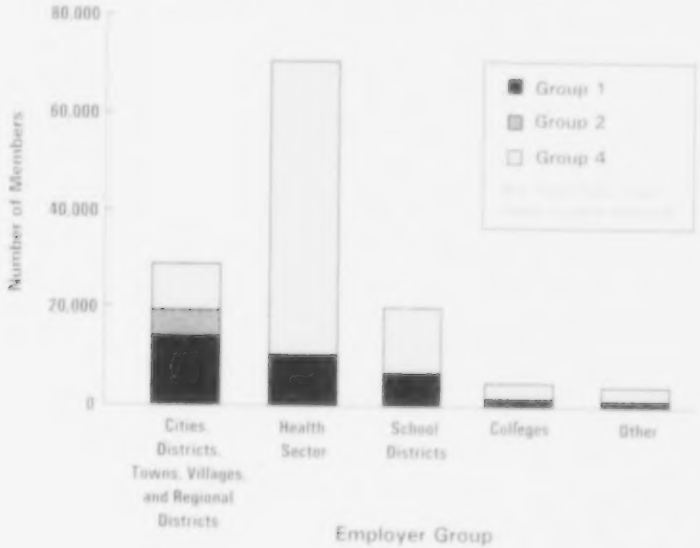
Year ended December 31



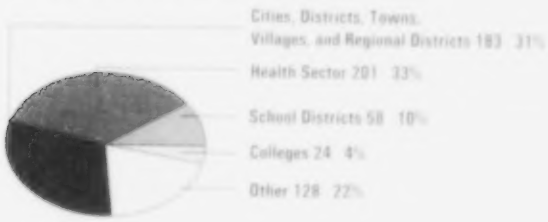
Active Members by Group



Active Members by Employer Group



Municipal Pension Plan Employers


Cities, Districts, Towns, Villages, and Regional Districts 183 31%
Health Sector 201 33%
School Districts 58 10%
Colleges 24 4%
Other 128 22%

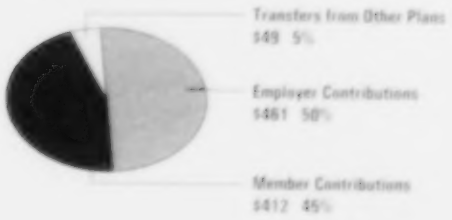
CONTRIBUTIONS

MEMBERS OF THE MUNICIPAL PENSION PLAN CONTRIBUTE TO the plan through automatic deductions from their salary. Both plan members and employers pay contributions to fund future pension benefits. Employers contribute at varying rates, depending on the mix of active plan members in the group rate classification specified by the plan. The member contribution rates and the employer contribution rates on the next page are applied to pensionable salaries. Effective July 1, 2005, members contribute 6.99% of salary (6% before July 1) up to and including the Canada Pension Plan Year's Maximum Pensionable Earnings (YMPE) ($41,100) and 8.49% of salary (7.5% before July 1) above that amount.

Once a member terminates employment, retires, or accrues 35 years of pensionable service, they no longer make contributions to the plan.

Contribution Revenue

$ Millions



Total Regular Contributions by Employer Sector as a Percentage

CONTRIBUTIONS

Employer Contribution Rates by Group and Age*

—salaries less than or equal to YMPE

Group	<45 Years	≥45 Years	<50 Years	>50 Years
1	n/a	n/a	5.39%	10.29%
2	8.99%	17.49%	n/a	n/a
3	6.09%	11.69%	n/a	n/a
4	n/a	n/a	5.89%	11.29%

Employer Contribution Rates by Group and Age*

—salaries greater than YMPE

Group	<45 Years	≥45 Years**	<50 Years	>50 Years**
1	n/a	n/a	6.89%	11.79%
2	10.49%	18.99%	n/a	n/a
3	7.59%	13.19%	n/a	n/a
4	n/a	n/a	7.39%	12.79%

* Effective July 1, 2002, all employer contribution rates increased by 3.00% of salaries.

** The employer contribution rate increases when a plan member reaches these ages.

Group 1: Males other than police officers and fire fighters

Group 2: Police officers and fire fighters

Group 3: Females pre-April 1971

Group 4: Females other than police officers and fire fighters

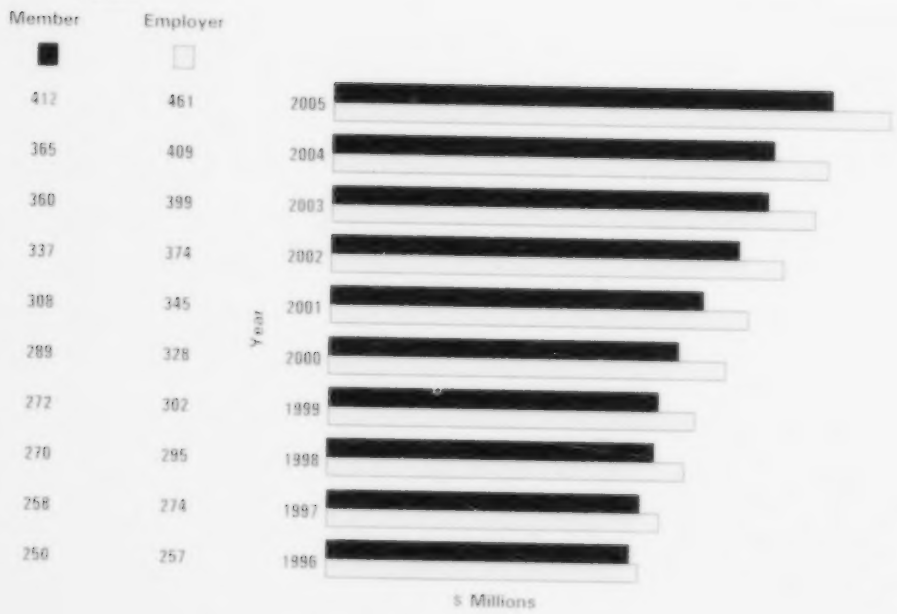
Average Employer Contribution Rates by Sector

Health Sector	8.53%
Cities, Districts, Towns, Villages, and Regional Districts	8.50%
School Districts	8.32%
Colleges	7.72%
Other	8.37%

Contributions

Year ended December 31

$ Millions



PLAN BENEFITS

PENSIONS

THE MUNICIPAL PENSION PLAN PROVIDES BASIC PENSION benefits that are based on how many years the member made contributions to the plan, the average of the best five years of salary, and the member's age at retirement. The benefits are not tied to financial market conditions. The plan also provides survivor and disability benefits. Members are entitled to a pension benefit after two years of contributory service. Benefits such as group health benefits and inflation protection for the basic pension are not guaranteed, and are contingent on available funding. The board monitors the ability to continue to provide these benefits on an ongoing basis.

Basic Pension—Monthly pension that is paid by the pension plan for a member's lifetime. The pension may continue to another person after the member's death, depending on the form of pension the member chooses at retirement.

Bridge Benefit—A temporary pension paid to the member from retirement until age 65 or death, whichever comes first.

Cost of living—increases to monthly pension amounts are based on the annual increase in the cost of living as measured by the Consumer Price Index. Cost-of-living adjustments begin the first January after a member retires. This indexing is not guaranteed.

Members can access the plan website at **mpp.pensionsbc.ca** for information on benefits, and to access the online pension estimator.

If a member retires before age 65, their pension from the Municipal Pension Plan will include a temporary monthly payment called a bridge benefit. The bridge benefit is intended to "bridge" the gap between income before age 65 and income after age 65, when Canada Pension Plan (CPP) benefits typically begin.

Cost-of-living increases to the pension may be provided each year, based on the annual increase in the Consumer Price Index (CPI) as determined by Statistics Canada. This indexing is subject to the availability of funds in the Inflation Adjustment Account and is not guaranteed (See Note 7.b to the Financial Statements). On January 1, 2005, retired members received a full CPI increase of 1.8% (in 2004 the increase was 2.2%).

At December 31, 2005, the Municipal Pension Plan provided pensions to 47,651 retired members, an increase of 6.1% over last year.

Pensions 1996–2005

	New Pensions during Year	Pension Terminations	In Force at End of Year	$ Millions Basic Pensions Paid	Inflation Adjustments Paid	Other Pensions Paid	Total
2005	3,438	702	47,651	$542.5	$102.5	$2.0	$647.0
2004	3,937	703	44,915	495.9	96.0	1.8	593.7
2003	3,521	772	41,681	434.6	89.0	1.5	525.1
2002	3,307	653	38,932	391.5	82.3	1.2	475.0
2001	2,707	698	36,278	356.2	75.1	0.7	432.0
2000	2,629	636	34,269	325.1	67.9	0.4	393.4
1999	2,652	604	32,276	295.2	61.6	0.3	357.1
1998	2,340	606	30,228	268.4	61.6	0.2	330.2
1997	2,282	502	28,494	245.4	59.1	0.1	304.6
1996	2,080	439	26,714	224.0	57.0	0.1	281.1

New Pensions by Type 1996–2005

	Regular*	Death*	LTD to Pension*	Deferred	Total
2005	2,497	68	479	394	3,438
2004	3,074	72	475	316	3,937
2003	2,925	52	320	224	3,521
2002	2,647	60	350	250	3,307
2001	2,173	70	301	163	2,707
2000	2,089	80	323	137	2,629
1999	1,992	50	447	163	2,652
1998	1,842	74	243	181	2,340
1997	1,815	47	274	146	2,282
1996	1,670	59	205	146	2,080

* New pensions do not include any pensions indexed to a beneficiary.
Ontario regulation changes in 1993 give disabled members eligible for a regular pension

Average Value of New Regular Pensions
January 1, 2005 to December 31, 2005

(Combination of those whose retirement age was 60 and 65) Subdivided by years of service

Years of Service*	Number of New Regular Pensions	Average Annual Salary Base	Average Annual Pension	Average Present Value of Pensions	Total Present Value of Pensions ($ Millions)
<10 years	485	$ 46,000	$ 5,700	$ 70,000	$ 34.0
10–14	526	46,000	10,900	139,000	73.1
15–19	428	49,000	15,700	210,000	89.9
20–24	345	51,000	21,700	292,000	100.7
25–29	373	56,000	30,200	422,000	157.4
30–34	295	59,000	38,500	537,000	158.4
35 years	45	62,000	40,000	598,000	26.9
Total	2497	n/a	n/a	n/a	$ 640.4
Average of All Pensions	n/a	$ 51,000	$ 18,900	$ 256,000	n/a

* Years of service includes service transferred from other plans

PLAN BENEFITS

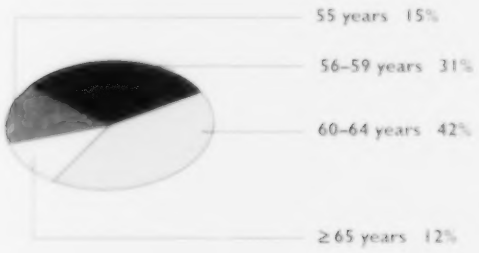
New Regular Pensions by Age at Retirement – Groups 1, 3 and 4

(For those whose normal retirement age was 65 [all plan members except police officers and fire fighters]) Subdivided by years of service and age at retirement

Years of Service	55	56–59	60–64	≥65	Total
<10 years	62	124	208	88	482
10–14	72	152	225	75	524
15–19	67	121	192	44	424
20–24	50	99	160	29	338
25–29	47	96	136	22	301
30–34	44	117	60	10	231
35 years	11	18	11	2	42
Total	**353**	**727**	**992**	**270**	**2,342**
Average Service	**18**	**19**	**17**	**14**	**17**
Average Age					**60**

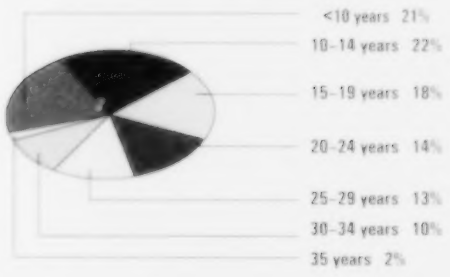
Percentage of New Regular Pensions – Groups 1, 3, 4

By Age – Normal Retirement Age 65



Percentage of New Regular Pensions – Groups 1, 3, 4

By Years of Service – Normal Retirement Age 65



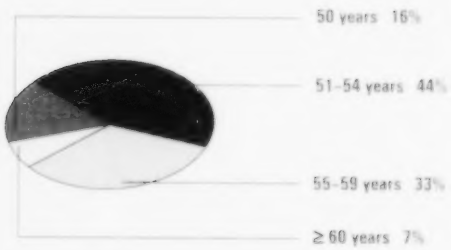
New Regular Pensions by Age at Retirement – Group 2

(For those whose normal retirement age was 60 [police officers and fire fighters])
Subdivided by years of service and age at retirement

Years of Service	50	51–54	55–59	60	Total
<10 years	–	1	1	1	3
10–14	–	–	2	–	2
15–19	1	–	1	2	4
20–24	–	2	4	1	7
25–29	13	43	15	1	72
30–34	11	22	27	4	64
35 years	–	–	1	2	3
Total	**25**	**68**	**51**	**11**	**155**
Average	**29**	**28**	**28**	**26**	**28**
Average age					**54**

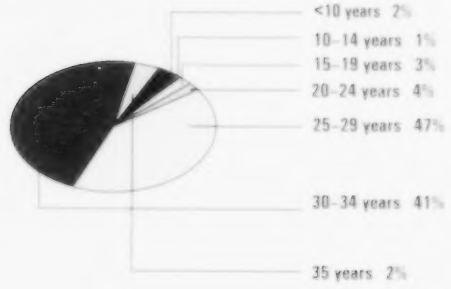
Percentage of New Regular Pensions – Group 2

By Age – Normal Retirement Age 60



Percentage of New Regular Pensions – Group 2

By Years of Service – Normal Retirement Age 60



TERMINATION AND REFUND BENEFITS

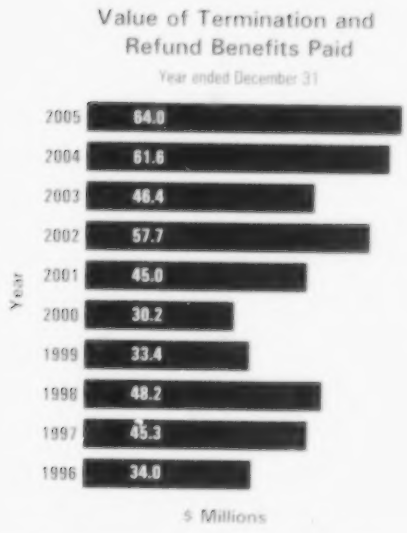
A terminating member with two or more years of contributory service, who has not reached earliest retirement age, may be eligible to choose:

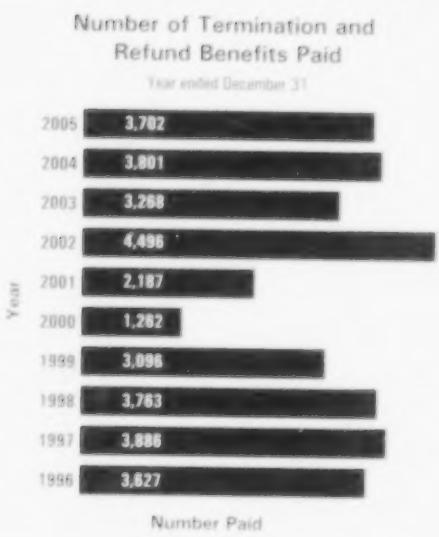
- **A deferred pension**—a pension payable at a later date, either when the member is eligible or at a later date in order to receive an unreduced pension, or
- **A commuted value payment**—a lump sum that represents the value of benefits earned to the termination date. It is the amount of money that needs to be set aside today, using current interest rates, to provide enough funds at retirement to pay your pension. A commuted value payment must be transferred to a locked-in registered retirement savings plan or a registered pension plan.

A terminating member may also choose to leave funds on deposit in the plan in anticipation of future entitlements. If the member is under 60 (55 for police and fire fighters) with less than two years of contributory service, he or she may also choose a refund of contributions with interest.

Interest compounds annually and is credited to the member's contribution balance. This amount is included on the annual *Member's Benefit Statement*. The rate of interest is governed by the applicable pension legislation and is based on average bank five-year personal term deposit rates (2005—2.46%; 2004—2.74%).

The number and value of termination and refund benefits paid can vary from year to year, depending on the employment environment, the type of benefit paid, and the plan member's entitlement. In 2005, the number of termination and refund benefits paid decreased 2.7%, whereas the value of termination and refund benefits paid increased 3.8% compared to 2004.





TRANSFERRING SERVICE

Transfer agreements allow members to carry pension rights from one plan to another. Members may carry their years of pensionable service and contributions to a new plan, at a different place of employment, if the new plan has an agreement with the Municipal Pension Plan. In order to transfer service, the member must have left contributions on deposit or reinstated service. Service may not always be transferred on a one-to-one basis, but depends on differences in plan benefits. Members of the Municipal Pension Plan who made contributions to other pension plans may want to inquire about transfer agreements.

Under the BC Public Sector Pension Transfer Agreement of April 1, 2004, transfers can be made between the Municipal Pension Plan and the College, Public Service and Teachers' pension plans, and other signatories to the agreement. In June 2004, the board entered into the National Public Service Pension Transfer Agreement, which allows transfers between a number of provincial public service pension plans in Canada. The board no longer enters into bilateral reciprocal transfer agreements with other pension plans; any other plan wishing to establish reciprocity with the Municipal Pension Plan should consider entering into the National Public Service Pension Transfer Agreement.

In 2005 there were 633 reciprocal transfers-in from other pension plans and 410 transfers-out. The transfers-in totalled approximately $48.5 million; transfers-out totalled approximately $27.4 million.

PLAN BENEFITS

The deadline for members to apply to purchase historical periods of service is March 31, 2007, or termination of employment with your current employer, whichever comes first.

PURCHASE OF ADDITIONAL SERVICE

Members of the Municipal Pension Plan may be able to increase their future pension benefits by purchasing service. Purchasing service means paying for periods of employment with a plan employer that were not previously counted as service with the pension plan. This service may include:

- leaves of absence (maternity, parental or other leave),
- arrears contributions (not enrolled, but eligible to buy back missed contributions),
- other service (employment service before becoming a regular contributor), or
- reinstatements (contributions previously refunded from the plan).

Purchase of service rules changed April 1, 2002. For periods ending on or before March 31, 2002, members must apply to purchase this service by March 31, 2007 or termination of their current employment (whichever comes first). Beginning April 1, 2007, members may only purchase periods of service that end within the previous five years, provided the member applies to purchase prior to terminating employment. More information about purchasing service, including costs, is available on your plan website at **mpp.pensionsbc.ca**.

In 2005, the number of purchases of additional service increased 81% from 2004. The value of the purchases increased 73%.

Member and Employer Purchases of Additional Service
Year ending December 31

INVESTMENTS

MARKET REVIEW

ONE OF THE MAJOR ROLES OF THE BOARD IS THE RESPONSIBILITY for overseeing the investment of approximately $20.6 billion in assets, for the long-term benefit of the plan members. The most important issue for any pension plan is long-term results, and the board's goal is to achieve consistent and steady performance over the longer term based on a disciplined approach and prudent decision-making.

... overseeing the investment of approximately $20.6 billion in assets, for the long-term benefit of the plan and its members.

The board reviews the *Statement of Investment Policies and Procedures* (SIPP) annually, approves the long-term asset mix policy for the investment of assets and oversees the management of those assets through the board's investment management agent, the British Columbia Investment Management Corporation (bcIMC).

Diversification of investments is a key principle in the approved asset policy. Investments are held in a range of asset types (bonds, equities, real estate), industry sectors, and global markets.

Report on 2005 Investment Results

The board is pleased to report that the Basic Account earned a 12.0% return in 2005. The Inflation Adjustment Account earned a 12.5% return. This is the third consecutive year of double digit returns.

Equity, fixed income, and real estate all made solid contributions to the plan's 2005 returns, illustrating the importance of holding a diversified investment portfolio:

- The largest source of returns in 2005 came from equities, led by Canadian stocks. The plan participates in three Canadian equity pools and their returns ranged from 21.5% to 25.2%.
- Non-North American stocks also produced solid returns in 2005. The plan participates in five international equity pools and their returns ranged between 6.9% and 23.2%.
- U.S. stocks had modest gains as the returns were eroded by the U.S. dollar's depreciation against the Canadian dollar. This was partly offset by the decision to hedge

some of the plan's U.S. dollar exposure. Returns ranged from 1.7% on the U.S. Indexed pool to 3.8% on the U.S. Active pool.

- Fixed income performed well, with long-term bonds providing a 14.4% return and inflation-linked bonds earning between 12.8% and 14.0%. Short-term money market funds earned a modest 2.6%.

- Real estate performed strongly, with the domestic Realpool returning 17.9% in 2005.

The 12.0% return of the Basic Account was 1.3% above the market benchmark of 10.7%. The added value is attributable to a number of tactical decisions made by the board's investment management agent, the British Columbia Investment Management Corporation, within the policy set by the board.

Examples of such decisions are the amount invested in Canadian stocks, and the hedging of the U.S. dollar. The solid performance of non-North American stocks and the strong performance of real estate also contributed to the significant outcome.

Outlook

There are numerous risks to global economic and financial stability in the current environment:

- large financial and trade imbalances among the world's major economic blocs,

- large budget deficits in the U.S., Japan and Europe,

- heavily-indebted U.S. consumers,

- potential housing bubbles in some countries,

- rising inflation pressure, and

- rising interest rates.

As the current economic cycle ages, and corporate profits come under pressure from rising costs for energy and other commodities, the board believes that near-term annual portfolio returns will be lower than the mid-double-digit returns experienced in the past year, and that the risk (or volatility) of those returns will increase.

The forward-looking staff of bcIMC have played a key role in assisting the board's deliberations.

APPROVED INVESTMENT ASSET MIX

Strategic and short-term asset allocation targets are set within the ranges shown in the table below. The short-term classification in the table below includes government bonds with one- to five-year terms and money market funds.

Basic Account Investment Asset Mix and Performance

As at December 31, 2005

Asset Class	Approved Range (%)	Actual Assets (%)	Rate of Return (%)	Performance Benchmark (%)*
Fixed Income	**25–45**			
Short-term	0–5	3.0	2.5	2.6
Mortgages	0–10	3.7	6.2	3.3
Bonds	17–28	22.1	8.1	8.1
Real Return Bonds	0–10	9.0	12.8	15.2
Equity	**55–75**			
Canadian Equities	12–22	19.3	23.7	24.2
U.S. Equities**	10–20	15.5	3.1	2.8
International Equities	10–20	17.8	11.9	11.1
Real Estate	8–15	10.6	17.9	6.2
Private Placements	0–10	2.8	***	***

INVESTMENTS

INVESTMENT PORTFOLIO

Investments are stated at fair market value and consist primarily of direct ownership in units of pooled investment portfolios. The units of pooled investment portfolios are valued regularly based on the value of the underlying assets. In the table below, all portfolios are pooled except Real Return Bonds, which is directly held.

For further information on the investment portfolio, visit the bcIMC website at ***www.bcimc.com***

Investments Held as at December 31, 2005

	Market Value ($ Thousands)	Asset Mix Market Value (%)
Short-term		
Money Market	176,296	1
Short-term bonds (1-3 years)	442,862	2
	619,158	3
Bonds		
Government	2,717,548	13
Corporate	915,952	5
Long-term	897,609	4
Real Return	1,018,619	5
	5,549,728	27
Canadian Equities		
Indexed	2,090,032	10
Actively Managed	1,893,460	9
	3,983,492	19
U.S. Equities		
Indexed	2,262,955	11
Actively Managed	918,972	5
	3,181,927	16
International Equities		
Asia	743,831	4
Europe	1,049,685	5
Europe, Australia and the Far East	1,842,508	9
	3,636,024	18
Real Estate, Mortgages, Private Placements and Foreign Currency		
Real Estate	2,172,910	11
Mortgages	745,464	4
Private Placements	581,821	2
Foreign Currency	34,260	
	3,534,455	17
Total Investments	**$20,504,784**	**100%**
2004 Comparison	$18,158,255	

Investments Held as at December 31, 2005

(Underlying investments are in pooled portfolios.)

Top 10 Holdings

Canadian Equities Company	Market Value ($ Thousands)	% of Total Canadian Equities
Royal Bank of Canada	$194,927	4.9
Manulife Financial Corporation	183,654	4.6
Encana Corporation	151,376	3.8
Toronto Dominion Bank	151,325	3.8
Suncor Energy Inc	145,335	3.7
Bank of Montreal	89,418	2.3
Canadian National Railway	86,619	2.2
Canadian Imperial Bank of Commerce	77,231	1.9
Canadian Natural Resources Limited	76,873	1.9
Talisman Energy	76,636	1.9
Total Top Ten	**$1,233,394**	**31.0**
Total Canadian Equities	**$3,983,492**	**100.0**

US Equities Company	Market Value ($ Thousands)	% of Total US Equities
General Electric	$93,765	2.9
Exxon Mobil Corporation	84,952	2.7
Citigroup Inc	71,046	2.2
Microsoft Corporation	59,298	1.9
Bank of America	56,062	1.8
American International Group	42,383	1.3
Procter & Gamble	41,393	1.3
Altria Group Inc	38,433	1.2
Johnson & Johnson	37,132	1.2
Intel Corp	36,708	1.1
Total Top Ten	**$ 561,172**	**17.6**
Total US Equities	**$3,181,927**	**100.0**

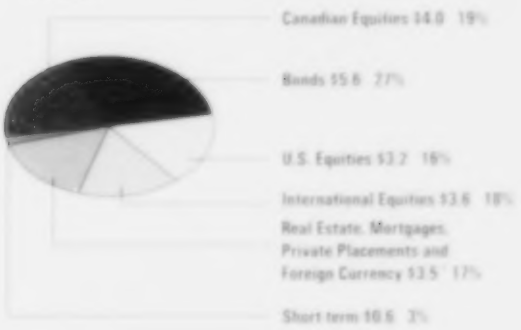
International Equities Company	Market Value ($ Thousands)	% of Total International Equities
Total	$ 64,052	1.8
Royal Dutch Shell	57,205	1.6
BP	55,775	1.6
Vodafone Group	51,377	1.4
Mitsubishi Corporation	48,301	1.3
Glaxosmithkline	44,118	1.2
HSBC Holdings	43,955	1.2
Nestle SA	41,144	1.1
Novartis AG	40,027	1.1
Roche Holdings AG	39,475	1.1
Total Top Ten	**485,429**	**13.4**
Total International Equities	**$ 3,636,024**	**100.0**

INVESTMENTS

Investments Held as at December 31, 2005

Investment Holdings (Market Value)

$ Billions


Canadian Equities $4.0 19%
Bonds $5.6 27%
U.S. Equities $3.2 16%
International Equities $3.6 18%
Real Estate, Mortgages, Private Placements and Foreign Currency $3.5 17%
Short term $0.6 3%

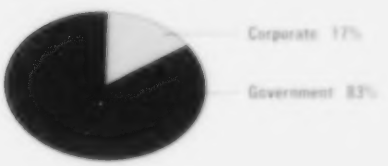
Canadian Equities (Market Value)

US Equities (Market Value)

■ Indexed: A portfolio of securities in approximately the same proportion as a public market index (e.g., Standard & Poor's/Toronto Stock Exchange Composite).

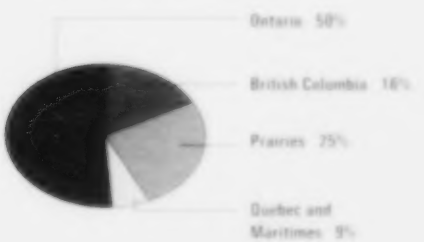
▒ Actively Managed: A portfolio of securities that is designed to outperform a public market index.

Bonds (Market Value)



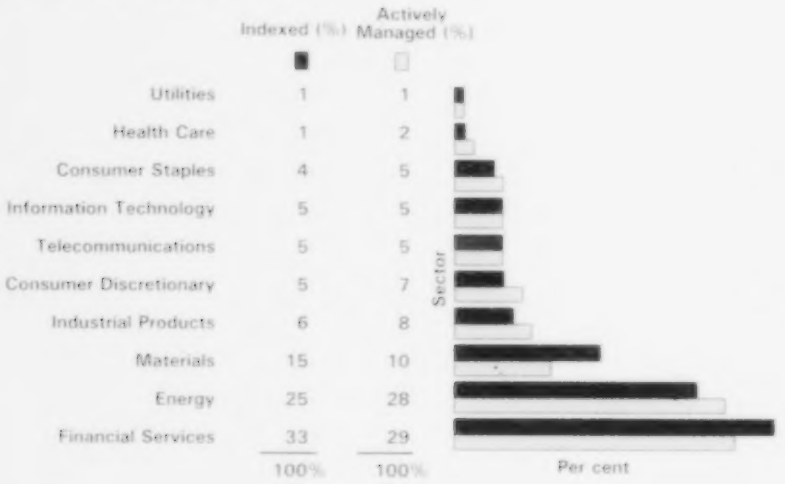
Real Estate, by Type

Real Estate, by Location



Investments Held as at December 31, 2005

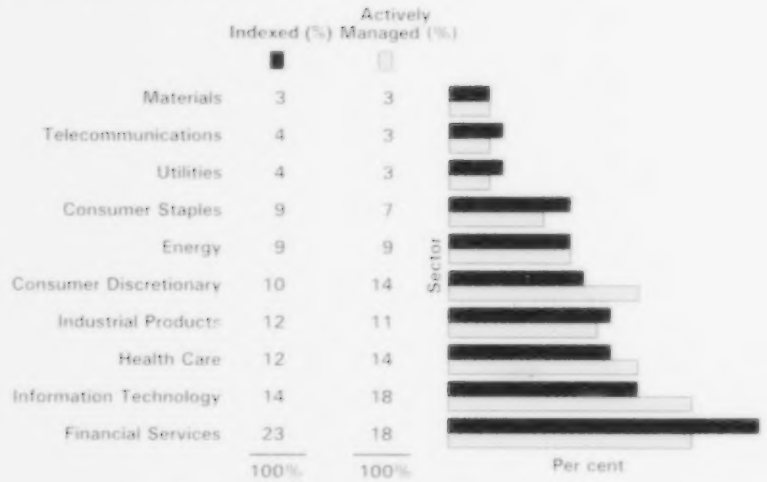
Canadian Equities, by Sector



■ Indexed: A portfolio of securities in approximately the same proportion as a public market index (e.g., Standard & Poor's/Toronto Stock Exchange Composite).

□ Actively Managed: A portfolio of securities that is designed to outperform a public market index.

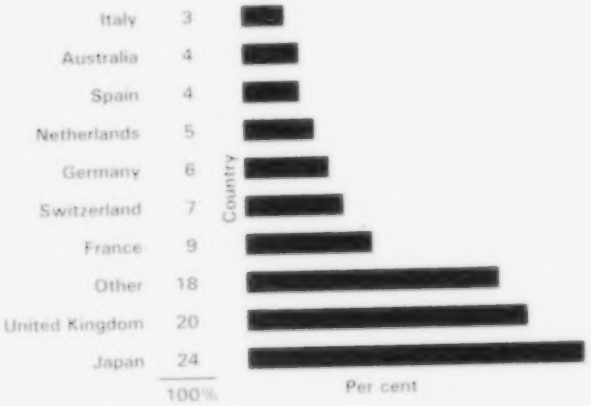
U.S. Equities, by Sector



INVESTMENTS

Investments Held as at December 31, 2005

International Equities, by Country



INVESTMENT PERFORMANCE

Market Value Rates of Return for the Year Ended December 31, 2005

	Basic Account (%)	Inflation Adjustment Account (%)	Basic Account Performance Benchmarks (%)*
Annual Rates			
2005	**12.0**	**12.5**	**10.7**
2004	10.0	10.3	10.1
2003	12.4	13.5	13.6
2002	-4.6	-3.6	-4.7
Five-year Annualized Rates+**			
2005	**5.4**	**5.9**	**5.1**
2004	4.6	5.0	4.2
Ten-year Annualized Rates**			
2005	**8.6**	**8.8**	**8.5**
2004	9.0	9.2	9.1
2005 Annual Rates by Investment Category			**2005 Performance Benchmark* Indices**
Short-term			
Money Market	2.6	2.7	2.6 SCI 91-Day T-Bill
Bonds	2.4	2.4	2.2 SCI Short-term Government Bond
Bonds			
Government	7.0	7.0	6.5 SCI Universe Bond
Corporate	6.1	6.1	6.5 SCI Universe Bond
Long-term	14.4	14.4	14.0 SCI Government Long Term Bond
Real Return	12.8	14.0	15.2 SCI Real Return Bond
Canadian Equities			
Actively Managed	21.5	21.5	24.2 S&P/TSX Capped Equity
Indexed	24.3	24.3	24.2 S&P/TSX Equity
Enhanced	25.2	25.2	24.2 S&P/TSX Equity
U.S. Equities++			
Actively Managed	3.8	3.8	2.9 R 1000
Indexed	1.7	1.7	1.6 S&P 500
Value	2.6	2.6	3.0 S&P 500/Barra Value
Enhanced	2.8	2.8	2.9 R1000
International Equities			
Asia	23.2	23.2	19.6 MSCI Pacific Net
Europe	7.8	7.9	6.7 MSCI Europe Net
Europe, Australia and the Far East	10.3	10.3	10.7 MSCI Europe, Australasia, Far East Net
Real Estate	17.9	17.9	6.2 CPI + 4%
Mortgages			
Fixed-term	6.1	6.1	3.4 SCI Short-term Bond + 1%
Construction	6.3	6.3	3.2 SCI One-year T-Bill + 1%
Specialty	8.0	8.0	4.7 SCI One-year T-Bill + 2.5%

Performance Benchmark Indices Abbreviations

CPI	Consumer Price Index
MSCI	Morgan Stanley Capital International
R	Russell
SCI	Scotia Capital Inc.
S&P	Standard & Poor's
S&P/TSX	Standard & Poor's/Toronto Stock Exchange

FINANCIAL HEALTH

ONE OF THE MAJOR ROLES OF THE TRUSTEES IS TO FOCUS ON the financial health of the plan. The goal is to achieve consistent and steady performance over the long term. To do this we follow sound investment principles that direct the fund managers to invest prudently and ethically.

Every three years, an independent actuary assesses the financial health of the plan. At the most recent actuarial valuation as at December 31, 2003, the plan had an unfunded liability for basic pension benefits of $789 million. There are two main reasons for this change in actuarial position. First is the lower investment returns experienced by the plan since the 2000 valuation, due to the investment climate. Second is a reduced rate of return in the key long-term assumptions used by the actuary in the new valuation. The funded portion of the liability is 96% of the total liabilities for basic pension benefits. Effective July 1, 2005, a contribution rate increase of 1.98% of salaries is shared equally between employers and members.

The next valuation will be as at December 31, 2006.

A surplus means there will be more than enough funds to meet the basic benefits, whereas an unfunded liability indicates there is a shortfall between the benefits promised and the assets available to pay for the benefits.

Latest Actuarial Valuation

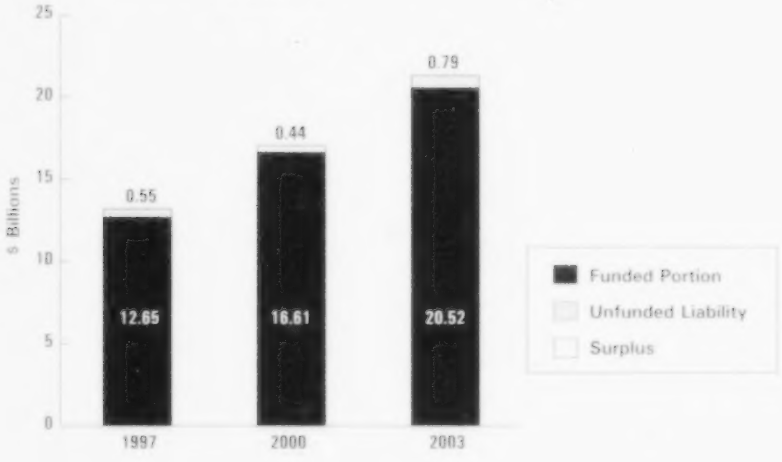
$ Millions

	Basic Pension Benefits Net Surplus (Unfunded Liability)		
December 31	2003	2000	1997
For Funding Purposes*	($789)	$436	($548)
Ratio of Surplus (Unfunded) Liability to Covered Payroll	(14%)	9%	(14%)
For Accounting Purposes to December 31	($29)	$847	($297)

* Assumed considerations continue at rates in effect at the valuation date.
See Note 1 and Note 3 to the Financial Statements for additional explanation.

Funding of the Total Basic Benefit Liability

As at December 31



FIVE-YEAR FINANCIAL SUMMARY

$ THOUSANDS

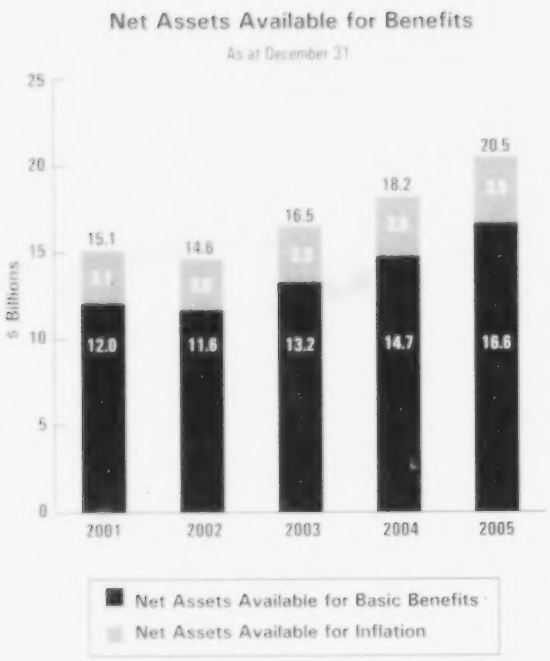
For the year ended December 31	2005	2004	2003	2002	2001
Increase (Decrease) in Assets					
Investment Income (Loss)	$2,223,665	$1,678,462	$1,835,701	($655,335)	($189,218)
Contributions					
Members	412,067	365,471	360,200	336,863	308,057
Employers	460,608	409,239	398,707	373,785	345,111
Transfers from Other Plans	48,501	37,700	36,880	26,555	17,637
Total Increase in Assets	3,144,841	2,490,872	2,631,488	81,868	481,587
Decrease in Assets					
Pension Benefits	647,025	593,731	525,142	475,007	432,077
Termination and Refund Benefits	63,996	61,648	46,415	57,688	45,002
Transfers to Other Plans	27,383	37,092	29,586	56,597	13,614
Retired Member Group Benefits	48,347	41,391	52,605	51,003	39,627
Investment and Administration Costs*	39,762	35,179	35,517	32,571	28,253
Total Decrease in Assets	826,513	769,041	689,269	674,866	558,573
Increase (Decrease) in Net Assets	2,318,328	1,721,831	1,942,223	(592,998)	(76,986)
Net Assets Available for Benefits at Beginning of Year	$18,215,127	$16,493,296	$14,551,073	$15,144,071	$15,221,057
Net Assets Available for Benefits at End of Year	$20,533,455	$18,215,127	$16,493,296	$14,551,073	$15,144,071

Investment and Administration Costs*

		As a Percentage of Net Assets			
Investment Management*	0.17%	0.15%	0.13%	0.15%	0.13%
Benefit Administration	0.09%	0.09%	0.12%	0.12%	0.10%

* Investment management cost ratios in the combined assets and all other expenses of $39 million (2004 – $35 million; 2003 – $36 million; 2002 – $33 million; 2001 – $28 million) as a percentage of net assets. Net investment income is reported after investment management costs and other expenses. There are no direct investment expenses.

FIVE-YEAR FINANCIAL SUMMARY



FINANCIAL STATEMENTS

PENSION
CORPORATION

Executive
Offices

Mailing Address:
PO Box 9460
Victoria BC
V8W 9V8

Location:
2995 Jutland Road
Victoria BC
V8T 5J9

Phone:
250 387-8201
1 800 663-8823
Fax:
250 953-0429

MUNICIPAL PENSION PLAN

ADMINISTRATIVE AGENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of the Municipal Pension Plan (Plan) were prepared by the British Columbia Pension Corporation (Corporation), the administrative agent for the Municipal Pension Board of Trustees (Board) for the Plan. The Board is responsible for having annual financial statements prepared in accordance with Canadian generally accepted accounting principles. The Corporation prepares the financial statements on the Board's behalf and is responsible for the integrity and fairness of the data presented, including significant accounting judgements and estimates. This responsibility includes selecting appropriate accounting policies consistent with generally accepted accounting principles in Canada. Other financial information contained in the Municipal Pension Plan Annual Report conforms to these financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, the Corporation maintains the internal controls necessary to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded.

The firm of Eckler Partners Ltd. has been appointed the independent consulting actuary to the Plan by the Board. The role of the actuary is to complete an actuarial valuation of the Plan in accordance with accepted actuarial practice; the results of the valuation are included in the financial statements.

The firm of KPMG LLP has been appointed the independent auditor to the Plan by the Board. The role of the auditor is to perform an independent audit of the financial statements of the Plan in accordance with Canadian generally accepted auditing standards. The resulting audit opinion is set out in the Auditors' Report attached to these financial statements.

SANDRA LENZ, C.A.
Chief Financial Officer
British Columbia Pension Corporation

BRIAN PEARSON, C.G.A.
A/Director, Finance
British Columbia Pension Corporation

April 7, 2006

FINANCIAL STATEMENTS

KPMG LLP
Chartered Accountants

AUDITORS' REPORT

To the Members of the Municipal Pension Plan

We have audited the statement of net assets available for benefits of the Municipal Pension Plan as at December 31, 2005 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the board of trustees. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2005 and the results of its operations and changes therein for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Victoria, Canada

April 7, 2006

Municipal Pension Plan

MUNICIPAL PENSION PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
($ Thousands)

As at December 31	2005	2004
ASSETS		
Investments (Note 3)	$ 20,504,784	$ 18,158,255
Receivables		
Members' contributions	17,819	14,797
Employers' contributions	19,833	15,532
Accrued investment income	3,031	2,380
Due from sale of investments	15,791	34,468
	$56,474	$67,177
Prepaid expenses	3,042	4,267
Cash	2,910	5,733
Total Assets	$ 20,567,210	$ 18,235,432
LIABILITIES		
Payable for purchase of investments	10,300	
Accounts payable and accrued expenses	23,455	20,305
Total Liabilities	33,755	20,305
NET ASSETS AVAILABLE FOR BENEFITS	$ 20,533,455	$ 18,215,127

All accompanying notes are an integral part of these financial statements including:

- Actuarial Valuation of the Basic Account for Funding Purposes (Note 7)
- Actuarial Valuation of the Basic Account for Accounting Purposes (Note 8)
- Commitments (Note 11)
- Contingency (Note 13)

Kenneth Bayne
Chair, Municipal Pension Board of Trustees

Brendan Dick
Trustee,
Municipal Pension Board of Trustees

Lyn Vandermey
Trustee,
Municipal Pension Board of Trustees

FINANCIAL STATEMENTS

Municipal Pension Plan

MUNICIPAL PENSION PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
($ Thousands)

For the year ended December 31	Basic Account	Retirement Annuity Account	Inflation Adjustment Account	Supplemental Benefits Account	Totals 2005	2004
INCREASE IN ASSETS						
Investment income (Note 3)	$ 1,390,240	$ 31,161	$ 804,204	$	$ 2,225,605	$ 1,678,862
Contributions (Note 5)						
Members	343,592	7,870	59,033	1,855	412,347	365,871
Employers	378,251	9,618	23,109	29,629	440,607	400,284
	721,843	17,488	82,142	31,484	852,954	766,155
Transfers from other plans	39,014		13,487		52,501	27,765
Total Income (or Loss)	2,151,097	48,649	899,833	31,484	3,131,063	2,472,782
DECREASE IN ASSETS						
Pension benefits						
Contributions	342,535			2,015	344,550	317,340
Indexing/supplements	102,320			142	102,462	96,123
	444,864			2,163	447,028	413,463
Termination and refund benefits	36,247	2,436	29,045	284	68,012	61,648
Transfers to other plans	19,810	4	7,583		27,397	27,167
Retired member return from DB (Note 10)				48,587	48,587	41,351
Investment & Administration cost (Note 4)	31,323		5,747	692	37,762	34,775
Total Decrease in Assets	532,244	2,440	42,375	51,464	628,523	578,643
INCREASE IN NET ASSETS BEFORE TRANSFERS	1,618,853	46,210	857,458		2,502,540	1,894,139
Account transfers (Note 6)	116,588	22,196	(138,784)			
INCREASE IN NET ASSETS	1,735,441	68,406	718,674		2,522,521	1,894,139
NET ASSETS AVAILABLE FOR BENEFITS AT BEGINNING OF YEAR	14,567,795	212,682	3,565,193		18,345,670	16,451,531
NET ASSETS AVAILABLE FOR BENEFITS AT END OF YEAR	$ 16,303,236	$ 281,088	$ 4,283,867	$	$ 20,868,191	$ 18,345,670

Supplemental Benefits Account (Note 10)

MUNICIPAL PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

1. DESCRIPTION OF THE MUNICIPAL PENSION PLAN

The Municipal Pension Plan (Plan) is a jointly trusteed pension plan governed by a Joint Trust Agreement (Agreement). Joint Trusteeship was established on April 5, 2001. The partners to the Agreement are the Municipal Employees' Pension Committee, as the member partner, and the provincial government and the Union of British Columbia Municipalities, as the employer partners (Partners). The Agreement describes the composition, appointment, powers, functions and duties of the Municipal Pension Board of Trustees (Board) and provides the authority for the Board to make Plan rules. The following brief description of the Plan is provided for general information only. For more information please refer to the Agreement and the Plan rules.

a) General

Membership in the Plan is open to all eligible employees of a municipality, school district, college, health service organization, police and fire fighters, and many other eligible employers as designated by the Board.

b) Roles and Responsibilities

The Board of Trustees
The Partners are responsible for directing amendments to the Plan, if certain conditions are met, and for resolving trustee disputes. The Partners and key stakeholders appoint sixteen trustees representing Plan members and Plan employers. The Chair and the Vice Chair are appointed by the other trustees. The Board is fully responsible for the management of the Plan, including investment of the assets and administration of the Plan. The Board may amend the Plan rules as long as changes can be funded by pension fund surpluses or are cost-neutral to the Plan (subject to transitional funding provisions in Note 7). Unless required to ensure compliance with regulatory enactments applicable to the Plan, Plan rule changes that result in contribution rate changes can only be initiated by the Partners.

British Columbia Pension Corporation (Pension Corporation)
The Pension Corporation provides benefit administration services as an agent of the Board.

British Columbia Investment Management Corporation (bcIMC)
bcIMC provides investment management services as an agent of the Board.

MUNICIPAL PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

1. DESCRIPTION OF THE MUNICIPAL PENSION PLAN (continued)

c) **Contributions**

Basic Account
Members contribute to the Basic Account 5.99% (5.8% to June 30, 2005) of salaries up to and including the Canada Pension Plan Year's Maximum Pensionable Earnings (YMPE): $41,100 in 2005) and 7.49% (6.3% to June 30, 2005) of salaries over the YMPE, less amounts allocated to the Supplemental Benefits Account (Note 5 and 10).

Employers contribute to the Basic Account at varying rates, depending on the mix of employers in the group rate classifications specified by the Plan, less amounts allocated to the Supplemental Benefits Account (Note 5 and 10).

Effective July 1, 2005, member and employer contribution rates were each increased by 0.99% of salaries (Note 7.a).

Inflation Adjustment Account
Members contribute 1% of salaries to the Inflation Adjustment Account (IAA). Employers contribute 1% of salaries to the IAA, less amounts allocated to the Supplemental Benefits Account (Note 5 and 10).

Retirement Annuity Account
Some employers have special agreements with members by which both make extra contributions to increase members' pensions. These contributions are credited to the Retirement Annuity Account; they are transferred at retirement to the Basic and the IAA as additional pensions are purchased with the accumulated monies (Note 6).

d) **Pension Benefits**

All members with two years of contributory service are eligible for a pension benefit.

Members are eligible for unreduced pension benefits:

- at age 65 (age 60 for certain groups);
- at age 60, with at least 2 years contributory service (age 55 for certain groups); or
- at age 55 or older, with age plus years of service totaling 90 or more (age 50 or older and age plus service equaling 80 or more for certain groups).

Other retiring members have a reduction formula applied to their pensions.

The defined basic plan benefit is integrated with the Canada Pension Plan (CPP). As a result, the Plan provides an unreduced benefit of 1.4% of pensionable earnings up to the YMPE and 2% of pensionable earnings over the YMPE for each year of pensionable service (to a maximum of 35 years). Pensionable earnings are based on the member's five year highest average salary (HAS).

MUNICIPAL PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

1. DESCRIPTION OF THE MUNICIPAL PENSION PLAN (continued)

d) Pension Benefits (continued)

The Plan also provides a bridge benefit payable to age 65 (or the date of death, if earlier). The bridge benefit is 0.7% of the lesser of YMPE or the HAS.

Increases to pension payments may be provided each January 1 in accordance with the indexing provisions of the Plan. These increases are based on the annual increase in the Canada Consumer Price Index (CPI) as at the previous September 30, subject to availability of funds in the Inflation Adjustment Account (Note 6 and 7b).

At January 1, 2005, retired members received a full CPI increase of 1.8% (2004: 2.2%). At January 1, 2006, retired members will receive a full CPI increase of 3.4%.

e) Termination and Portability Benefits

A terminating member, who is eligible for a pension but has not reached the earliest retirement age, may choose:

- a deferred pension; or,
- a transfer of the commuted value of the pension benefit (the minimum value is the member's contributions with interest) to a locked-in registered retirement savings plan or similar tax-sheltered plan.

A terminating member may also choose to leave monies on deposit in anticipation of future entitlements, or if under 60 with less than two years of contributory service (age 55 for certain groups), may also choose a refund of contributions with interest.

Termination benefits can be accessed one year from the date a terminating member stops contributing or immediately in the case where a terminating member has stopped working in the year before earliest retirement age.

Where there are portability arrangements between the Plan and other pension plans, members may be able to transfer certain pension rights.

f) Other Benefits

Disability and survivor benefits are also available under the Plan. Supplemental benefits (Note 10) may also be funded from the Supplemental Benefits Account. Under certain circumstances, members may also reinstate or purchase additional service to increase their future pension benefits.

MUNICIPAL PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

1. DESCRIPTION OF THE MUNICIPAL PENSION PLAN (continued)

g) Income Taxes

The Plan is a Registered Pension Plan (RPP) as defined in the *Income Tax Act (Canada)*, except for any supplemental benefits (Note 10) which are funded in addition to the RPP. The Plan is not subject to income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation

These financial statements are prepared on the going concern basis and present the Plan as a separate financial reporting entity, independent of the Plan's contributing employers and members, and independent of any associated retired member group benefit plans. The Statement of Net Assets Available for Benefits shows the assets under control of the trustees of the Plan, and does not purport to show whether these assets are adequate to meet the obligations of the Plan. The actuarial valuation of the basic account for funding purposes is included in Note 7.

Certain comparative figures have been reclassified to conform with the current year's presentation.

b) Investments

Investments are stated at fair value and consist primarily of direct ownership in units of pooled investment portfolios. The units of pooled investment portfolios are valued regularly based on the value of the underlying assets. Where available, fair values of those assets are based on public market prices or quotations from investment dealers. Where public market prices or quotations are not available, fair values are derived using valuation methods such as discounted cash flows, earning multiples, appraisals, prevailing market rates for instruments with similar characteristics and other pricing models, as appropriate. The value of derivative contracts is included in the fair value of pooled investment portfolios.

Investment purchases and sales are recorded on the trade date (the date upon which the substantial risks and rewards of ownership have been transferred).

c) Investment Income

Income from investments is recorded on the accrual basis and represents pooled investment portfolio income attributable to the Plan as a unit holder. The current period change in fair value includes realized and unrealized gains and losses which are included in investment income.

Within the pools, dividends are accrued on the ex dividend date. Income and expenses from derivative contracts are recognized on the accrual basis. Gains and losses on forward foreign exchange contracts are recognized concurrently with changes in their fair values.

MUNICIPAL PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Use of Estimates

The preparation of financial statements, in conformity with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in assets during the period. Significant areas requiring the use of management estimates relate to the valuation of investments and the estimate of the actuarial position of the Basic Account. Actual results could differ from those estimates.

3. INVESTMENTS (FAIR VALUE)

	2005			2004
	Basic Account	Inflation Adjustment Account	Total	Total
	($ Thousands)			
Short term	$ 496,467	$ 122,691	$ 619,158	$ 202,857
Canadian Bonds	4,560,554	989,174	5,549,728	5,357,983
Canadian Equities	3,278,383	705,109	3,983,492	3,712,788
U.S. Equities	2,619,800	562,127	3,181,927	2,888,465
International Equities	2,993,102	642,922	3,636,024	2,956,307
Foreign Currency	28,108	6,152	34,260	21,426
Mortgages	614,977	130,487	745,464	730,313
Real Estate	1,789,071	383,839	2,172,910	1,804,862
Private Placements	467,851	113,970	581,821	483,254
	$ 16,848,313	$ 3,656,471	$ 20,504,784	$ 18,158,255

Plan investments consist primarily of direct ownership in units of pooled investment portfolios, managed by bcIMC. Each unit gives its holder a proportionate share in the net assets of the pooled investment fund. One or more pooled investment portfolios exist for different types of investments, such as short-term investments, Canadian bonds and Canadian equities.

MUNICIPAL PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

3. INVESTMENTS (FAIR VALUE) (continued)

Short-term investments consist of Canadian and U.S. money market securities, such as treasury bills, with terms of 15 months or less and short-term bonds with one to five year terms. Canadian bonds consist of government and corporate bonds and debentures. Equities consist primarily of publicly traded shares, and, in the case of international equities, refer to investments in Europe, Australia and the Far East. The foreign currency pooled fund engages in the buying and selling of foreign currency financial instruments to enhance returns through the active management of foreign currency exposure.

Mortgages consist mainly of Canadian construction, commercial and multi-family residential mortgages. Real estate investments consist mainly of diversified Canadian income-producing properties. Private placements refer to Canadian and international long-term debt or equity investments made outside of the structure of public markets (Note 11).

The mortgages are secured by real estate and are valued using current market yields. The real estate is valued quarterly by bcIMC's external real estate investment managers and, at least, once every ten to eighteen months by accredited independent appraisers to establish current market values. Private placements are valued annually based on audited financial statements from private placement external managers.

The Plan also uses derivative contracts held indirectly through various pooled investment portfolios to enhance return, manage exposure to interest rate and foreign currency risk, and for asset mix management purposes. Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates, or exchange rates.

$18.0 million (2004: $0 million) of Basic Account Canadian bonds are being held in a collateral account for a future investment opportunity (Note 11).

A separate investment asset portfolio is not held for Retirement Annuity Account assets. For administrative purposes, the Retirement Annuity Account assets are included in Basic Account Investments (2005: $287.8 million; 2004: $262.7 million).

MUNICIPAL PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

4. INVESTMENT INCOME

	2005			2004
	Income Allocation	Current Period Change In Fair Value	Total	Total
		($ Thousands)		
Basic Account				
Short-term	$ 8,927	$ (4,739)	$ 4,188	$ 5,431
Canadian Bonds	209,435	181,221	390,656	369,776
Canadian Equities	63,492	558,106	621,598	424,297
U.S. Equities	50,899	107,254	158,153	159,008
International Equities	70,778	241,394	312,172	231,848
Foreign Currency	672	(805)	(133)	1,430
Mortgages	35,332	2,580	37,912	37,847
Real Estate	33,102	222,832	255,934	122,347
Private Placements	1,347	37,574	38,921	16,033
Investment Income	$ 473,984	$ 1,345,417	$ 1,819,401	$ 1,368,017
Less Retirement Annuity Account Income Allocation			(31,161)	(24,631)
			$ 1,788,240	$ 1,343,386
Inflation Adjustment Account				
Short-term	$ 1,902	$ (918)	$ 984	$ 1,367
Canadian Bonds	44,748	41,722	86,470	85,001
Canadian Equities	13,597	120,189	133,786	92,274
U.S. Equities	10,416	22,121	32,537	36,819
International Equities	15,157	52,221	67,378	53,294
Foreign Currency	147	(176)	(29)	314
Mortgages	7,486	556	8,042	8,234
Real Estate	7,083	47,888	54,971	26,728
Private Placements	1,449	18,676	20,125	6,414
	$ 101,985	$ 302,279	$ 404,264	$ 310,445
Total Investment Income			$ 2,223,665	$ 1,678,462

Investment income represents pooled investment portfolio income attributable to the Plan, as a unitholder, and as calculated by bcIMC, and interest income from directly held investments. All income earned within a pooled investment portfolio is reinvested within the portfolio. The Retirement Annuity Account is allocated a share of Basic Account investment income based on the annual rate of return of the Basic Account.

MUNICIPAL PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

5. CONTRIBUTIONS

	2005					2004
	Basic Account	Retirement Annuity Account	Inflation Adjustment Account	Supplemental Benefits Account	Total	Total
			($ Thousands)			
Members' contributions						
Regular	$ 310,425	$	$ 53,920	$	$ 364,345	$ 332,493
Special Agreements		7,851			7,851	7,937
Arrears	2,235		310		2,545	1,978
Purchase of service	14,809		2,940		17,749	9,043
Leave of absence	2,395	19	473		2,887	1,355
Reinstatement	13,468		1,390		14,858	11,377
Supplemental benefits				1,832	1,832	1,488
	$ 343,332	$ 7,870	$ 59,033	$ 1,832	$ 412,067	$ 365,471
Employers' contributions						
Regular	$ 353,377	$	$ 19,226	$	$ 372,603	$ 342,368
ERIP contributions	86		21		107	180
Special Agreements		9,595			9,595	9,044
Arrears	3,044		391		3,435	2,360
Purchase of service	18,789		2,992		21,781	11,102
Leave of absence	2,956	23	479		3,458	1,363
Reinstatement						74
Supplemental benefits				49,629	49,629	42,748
	$ 378,252	$ 9,618	$ 23,109	$ 49,629	$ 460,608	$ 409,239
Total Contributions	$ 721,584	$ 17,488	$ 82,142	$ 51,461	$ 872,675	$ 774,710

Member and employer contributions are as defined under the Plan rules.

Member regular Basic Account contributions were $312.3 million, of which $1.8 million was allocated to the Supplemental Benefits Account.

Employer regular Basic Account contributions were $368.2 million, of which $14.9 million was allocated to the Supplemental Benefits Account. Employer regular Inflation Adjustment Account contributions were $53.9 million, of which $34.7 million was allocated to the Supplemental Benefits Account.

MUNICIPAL PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

6. ACCOUNT TRANSFERS

	2005			2004		
	Basic Account	Retirement Annuity Account	Inflation Adjustment Account	Basic Account	Retirement Annuity Account	Inflation Adjustment Account
	($ Thousands)					
Present value of current indexing supplements	$ 96,755	$	$ (96,755)	$ 100,416	$	$ (100,416)
Indexing of deferred pensions	3,297		(3,297)	2,807		(2,807)
Excess Interest						
Pensions purchased from Retirement Annuity Account	16,636	(21,056)	4,420	23,634	(26,681)	3,047
	$ 116,688	$ (21,056)	$ (95,632)	$ 126,857	$ (26,681)	$ (100,176)

The Inflation Adjustment Account (IAA) is a separate account that is maintained for funding current and future indexing supplements. The IAA is funded through a portion of ongoing contributions from employers and members (Note 1c), from investment income earned on its own assets, and from excess interest earned in the Basic Account.

All pension payments are made from the Basic Account. Each year, when members' pension payments are adjusted for current indexing, monies are transferred from the IAA to the Basic Account to cover the present value of all future payments arising from the current indexing supplements.

When a deferred pension begins to be paid, the present value of the cost of living changes during the deferral period is also transferred from the IAA to the Basic Account.

There have been no excess interest transfers to the IAA for the years ended December 31, 2002 through 2005. Excess interest is based on investment income earned on those Basic Account assets required for pensions currently being paid, approximately $6.1 billion of assets for 2005 (2004: $5.6 billion). The excess interest rate of return is determined by taking the difference between the actual five year annualized market rate of return and the rate of return used by the actuary (7.0%) in valuing the plan's liabilities. The calculated excess interest rate of return for 2005 was -1.6% (2004: -2.4%) resulting in a negative excess interest amount of $96.8 million (2004: 133.5 million). The cumulative negative excess interest amount, including interest applied on cumulative excess amounts, is $472.8 million which will be offset against future positive excess interest amounts before positive excess transfers will resume.

A separate Retirement Annuity Account is maintained to record extra contributions by employers and members under special agreements. Monies are transferred at retirement from the Retirement Annuity Account to the Basic and the IAA as additional pensions are purchased.

MUNICIPAL PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

7. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR FUNDING PURPOSES

a) Basic Account

An actuarial valuation of the Plan's assets and pension obligations is performed at least every three years by an independent actuary to determine an appropriate combined employer and member contribution rate to fund the Basic Account. For this purpose, the Plan's actuary values both accrued assets and benefit obligations to the financial statement date, as well as contributions and benefits for future service. The actuary's calculated contribution rate is based on the entry-age method. This method produces the level rate of the member and employer contributions sufficient to provide benefits for the average future new entrants to the Plan.

The most recent full actuarial valuation for funding purposes was prepared as at December 31, 2003. This valuation disclosed an unfunded actuarial liability (UAL) for basic pension benefits of $789 million (2000: $436 million surplus), assuming future contributions at the contribution rates in effect at the valuation date. The following long-term actuarial assumptions were used:

- annual investment return 7.0%
- annual salary escalation rate 4.5%

The next full actuarial valuation will be as at December 31, 2006, for inclusion in the December 31, 2007 financial statements.

Based on the results of the 2003 actuarial valuation, the actuary determined that an increase in contribution rates was necessary for the Plan to maintain its proper financing. Therefore, the Trustees decided that, effective July 1, 2005, member and employer contribution rates would each be increased by 0.99% of salaries, as recommended by the actuary (Note 1c).

The Joint Trust Agreement (Agreement) specifies a transitional period during which surplus assets or actuarial gains must be used to achieve the following objectives, in order of priority:

- Eliminating any unfunded liability
- Rebalancing member and employer contribution rates and providing specified benefit improvements when sufficient surplus assets allow simultaneous implementation
- 50% of any additional surplus assets must be transferred to a Contribution Rate Stabilization Reserve, and 50% must be transferred to the IAA, to an aggregate total of one billion dollars. The Contribution Rate Stabilization Reserve will be shared on an equal (50/50) basis in order to maintain or reduce future member and employer contribution rates.

After these transitional objectives have been achieved, the agreement describes the manners in which the Board can elect to apply surplus assets so as to achieve over time an equitable sharing of the benefits of the surplus assets between members and employers.

MUNICIPAL PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

7. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR FUNDING PURPOSES (continued)

a) Basic Account (continued)

The Agreement describes that if at any time, an actuarial valuation indicates that increased basic contribution rates are required to fully fund the Plan on a going concern basis, the increase must be shared equally by members and employers.

b) Inflation Adjustment Account (IAA)

No unfunded liability exists for the IAA, since the obligation for future indexing benefits is limited to the amount of the available assets in the account. As indexing is granted to retired members full funding for that granted indexing, on a net present value basis, is transferred from the IAA to the Basic Account, from which the pensions are paid. There is no minimum level of indexing required to be paid under the Plan rules, nor is there any Plan provision to fund the IAA to any minimum level of future potential indexing.

The Board monitors the performance of the IAA and, at least annually, reviews a sensitivity analysis of the projected impact on the IAA of possible differing future economic trends. Such factors include inflation rates, real wage growth rates, real investment rates of return and group health benefits costs. This sensitivity analysis assists the Board to identify scenarios, some years in advance, of their possible occurrence, when the IAA assets may cease to grow and therefore, when the Plan may not be able to grant full indexing of benefits. As long as there are contributions to the IAA, there will be some measure of indexing protection for retired members.

8. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR ACCOUNTING PURPOSES

An actuarial valuation is performed at least every three years. Its primary objective is to assess the financial position and adequacy of funding for the Basic Account of the Plan as described in Note 7a. As part of the actuarial valuation, the actuary also calculates values, for accounting purposes, for Basic Account assets as at, and pension liabilities accrued to, the financial statement date. For this purpose, contributions and benefits for future service are not included, in contrast to their inclusion in the valuation for funding purposes in Note 7a.

MUNICIPAL PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

8. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR ACCOUNTING PURPOSES (continued)

The Basic Account is the account from which the defined basic benefits of the Plan are paid. It is also the account from which any indexing that has been granted to retired members is paid. Future indexing benefits are not guaranteed within the Plan provisions and are granted to retired members only to the extent that sufficient assets are available from the IAA to fund those benefits. As indexing is granted, the Basic Account receives from the IAA the present value funding necessary for the indexing granted. Therefore, accrued basic pension benefits for valuation purposes includes the liability for all indexing granted to the date of the valuation, but not for as yet unknown future indexing.

The latest full valuation was made as at December 31, 2003, by Eckler Partners Ltd. The results were as follows:

As at December 31	2003	2000
	($ Millions)	
Net assets available for basic pension benefits	$ 13,227	$ 11,992
Five year market value smoothing adjustment	465	(808)
Net actuarial assets for basic pension benefits	13,692	11,184
Liability for accrued basic pension benefits	13,721	10,337
(Unfunded Actuarial Liability – UAL) / Actuarial Surplus	$ (29)	$ 847

The next full actuarial valuation will be at December 31, 2006 for inclusion in the December 31, 2007 financial statements.

The liability for accrued basic pension benefits at the valuation date is determined using the projected benefit method prorated on service. Net assets are valued using five-year market value smoothing. For accounting purposes, an estimate of the actuarial position between valuations is required. This estimate, called an extrapolation, has been made to December 31, 2005, using the following long-term actuarial assumptions:

- annual investment return 7.0%
- annual salary escalation rate 4.5%

MUNICIPAL PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

8. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR ACCOUNTING PURPOSES (continued)

On that basis, the extrapolated value of the surplus at December 31 is as follows:

Extrapolated Actuarial Assets Available for Basic Pension Benefits
As at December 31

	2005	2004
	($ Millions)	
Extrapolated actuarial assets, beginning of year	$ 14,769	$ 14,425
December 31, 2003 valuation adjustment		(733)
Extrapolated actuarial assets, beginning of year	14,769	13,692
Account transfers	117	127
Current year contributions	738	646
Net transfers from (to) other plans	15	1
Pension, termination and refund benefits	(684)	(633)
Retired member group benefits	(14)	(14)
Administration costs	(17)	(16)
Interest accrued on assets	1,044	966
Extrapolated actuarial assets, end of year	$ 15,968	$ 14,769

Extrapolated Actuarial Liability for Accrued Basic Pension Benefits
As at December 31

	2005	2004
	($ Millions)	
Extrapolated liability for accrued basic pension benefits, beginning of year	$ 14,855	$ 13,454
December 31, 2003 valuation adjustment		267
Extrapolated liability for accrued basic pension benefits, beginning of year	14,855	13,721
Account transfers	117	127
Current period benefit cost	730	699
Net transfers from (to) other plans	15	1
Pension, termination and refund benefits	(684)	(633)
Retired member group benefits	(14)	(14)
Administration costs	(17)	(16)
Interest accrued on liability	1,049	970
Extrapolated liability for accrued basic pension benefits, end of year	$ 16,051	$ 14,855
Extrapolated Unfunded Actuarial Liability (UAL), December 31	$ (83)	$ (86)
Fair value of Basic Account net assets available for benefits	$ 16,593	$ 14,667
Fair value changes not reflected in extrapolated actuarial value of net assets	(625)	102
Extrapolated actuarial value of net assets available for benefits	$ 15,968	$ 14,769

MUNICIPAL PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

8. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR ACCOUNTING PURPOSES (continued)

Extrapolations may not be reliable indicators of the next valuation results nor do they necessarily reflect the overall trend of results. Between valuations, actual wage increases, investment earnings and the incidence of retirements, withdrawals, etc. may vary significantly from the long-term assumptions used in the extrapolation.

No unfunded liability exists for the IAA, since the obligation for future indexing benefits is limited to the amount of the available assets in the account.

9. INVESTMENT AND ADMINISTRATION COSTS

	2005	2004
	($ Thousands)	
Investment Management	$ 21,467	$18,938
Benefit Administration	16,801	14,715
Board Remuneration and Expenses	352	331
Board Secretariat Costs	325	237
Other Professional Services	817	958
	$ 39,762	$35,179

bcIMC and the Pension Corporation are related parties to the Plan. The Board appoints members to each of the respective corporate boards.

Costs for investment management services charged by bcIMC include costs for recovery of its internal and external investment management fees except those external management fees related to corporations wholly owned by investment pooled funds.

Investment management costs of $12.6 million (2004: $7.9 million) representing the external management costs incurred by wholly owned corporations of the investment pooled funds are not included in the above amount.

Benefit administration costs represent amounts charged to recover benefit administration costs incurred by the Pension Corporation. These costs are approved by the Board. Included in accounts payable is $2.5 million (2004: $2.4 million) due to the Pension Corporation for those costs.

These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties.

Board secretariat costs represent amounts for staffing and other costs associated with Board support.

Other professional services include actuarial, insurance, audit and legal fees.

MUNICIPAL PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

10. SUPPLEMENTAL BENEFITS

The Supplemental Benefits Account is the account through which certain supplemental benefits are funded. For example, pension benefits which exceed the *Income Tax Act (Canada)* limits for registered pension plans are paid through this account. Certain group benefit coverage may also be provided for retired members through the account. The availability, type and level of retired member group benefit coverage is contingent upon the availability of funding for such benefits.

To the extent dental and extended health benefits are funded through the Supplemental Benefits Account, they are funded from current contributions that would otherwise be employer inflation contributions and are limited to these contributions. To the extent medical service plan premiums are funded through the Supplemental Benefits Account, they are funded from current contributions that would otherwise be employer basic contributions. Retired member group benefits costs (shown on the Statement of Changes in Net Assets Available for Benefits) represent group benefit costs paid by the Plan less any premiums paid by retired members.

11. COMMITMENTS

The Plan participates in private placement and international real estate pools managed by bcIMC. As at December 31, 2005, the Plan's share of commitments (over the next several years) for future investment contracts in these pools is approximately $643 million (2004 - $430 million).

During 2005, bcIMC established a collateral account pledged as security for a future investment opportunity that will not be funded until 2009. As at December 31, 2005, $18.0 million of Basic Account Canadian Bonds are being held as collateral for an investment commitment of $15.1 million.

12. FINANCIAL INSTRUMENTS

The Plan's investments are recorded at fair value. Other financial instruments consist of cash, accounts receivable, accounts payable and accrued expenses. The fair values of these financial instruments approximate their carrying values.

Fair values of investments are exposed to price risk and credit risk. Price risk is comprised of foreign currency risk, interest rate risk, and market risk. Foreign currency risk relates to the possibility that the investments will change in value due to future fluctuations in foreign exchange rates. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract.

MUNICIPAL PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

12. FINANCIAL INSTRUMENTS (continued)

Interest Rate Risk
The value of the Plan's assets is affected by changes in interest rates and their effect on equity markets. Actuarial liabilities are affected by changes in long-term market interest rates.

Foreign Currency Risk
Foreign currency exposure arises from the Plan's holdings of foreign currency denominated investments and related derivative contracts. Foreign currency forward contracts are used to manage a portion of the currency exposure. A foreign currency forward contract is a contractual obligation either to buy or sell a specified amount of foreign currency at a predetermined future date and exchange rate.

Market Risk
The Board approves the long-term asset mix policy for investment assets and oversees the management of these assets through the Board's investment management agent, bcIMC. Market risk is reduced through asset class diversification, diversification within each asset class and credit quality constraints on fixed income instruments.

Credit Risk
The Plan limits derivative contract credit risk by dealing principally with counterparties that have a credit rating of A or higher as rated by the Dominion Bond Rating Service or equivalent.

13. CONTINGENCY

The British Columbia Supreme Court has dismissed an action against the Plan brought by the British Columbia Nurses' Union and two retired members, in connection with changes to retired member group benefit coverage. This decision has been appealed. However, the Board is of the opinion that a successful appeal is unlikely. Accordingly, no provision for losses has been reflected in the financial statements.

This is a publication of the Municipal Pension Board of Trustees.
If you have any questions on the information
contained in this report, please contact:

Municipal Pension Board of Trustees
c/o Pension Board Secretariat
PO Box 9460
Victoria BC V8W 9V8

E-mail: MPBT@pensionsbc.ca

Phone:	Victoria	250 953-3000
	Vancouver	604 660-5366
	Toll-free in BC	1 800 668-6335

Visit our website at mpp.pensionsbc.ca

Municipal
Pension Plan